

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

H

W-02128A  
Hillcrest Water Company  
915 E. Bethany Home Rd.  
Phoenix AZ 85014

APR 29 2005

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2004
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FOR COMMISSION USE

ANN04	04
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## COMPANY INFORMATION

Company Name (Business Name) <u>HILLCREST WATER COMPANY</u>		
Mailing Address <u>915 E. BETHANY HOME ROAD</u>		
<u>PHOENIX</u> (City)	<u>AZ</u> (State)	<u>85014</u> (Zip)
<u>602 265-5914</u> Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>915 E. BETHANY HOME ROAD</u>		
<u>PHOENIX</u> (City)	<u>AZ</u> (State)	<u>85014</u> (Zip)
<u>602 265-5914</u> Local Office Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		

## MANAGEMENT INFORMATION

Management Contact: <u>BARBARA DUNLAP</u>		<u>PRESIDENT</u>
(Name)		(Title)
<u>915 E. BETHANY HOME ROAD</u> (Street)	<u>PHOENIX</u> (City)	<u>AZ</u> (State)
<u>85014</u> (Zip)		
<u>602 265-5914</u> Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		
On Site Manager: <u>EILEEN THOMPSON</u>		
(Name)		
<u>782 BAY VIEW DRIVE</u> (Street)	<u>PARKER</u> (City)	<u>AZ</u> (State)
<u>85344</u> (Zip)		
 Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: BARBARA DUNLAP

(Name)

915 E. BETHANY HOME ROAD PHOENIX

(Street)

(City)

AZ

(State)

85014

(Zip)

602 265-5914

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: \_\_\_\_\_

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☒ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME HILLCREST WATER COMPANY

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	7,353	3,044	4,309
307	Wells and Springs			
311	Pumping Equipment	7,655	7,640	15
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	56,102	9,111	46,991
331	Transmission and Distribution Mains	14,455	14,455	
333	Services	6,800	6,800	
334	Meters and Meter Installations	8,598	8,598	
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,440	1,440	
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>102,403</b>	<b>51,088</b>	<b>51,315</b>

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME HILLCREST WATER COMPANY

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	7,353	10	476
307	Wells and Springs			
311	Pumping Equipment	7,655	1.5	127
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	56,102	4.0	2529
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>			<b>3,132</b>

This amount goes on the Comparative Statement of Income and Expense  
Acct. No. 403.

COMPANY NAME HILLCREST WATER COMPANY

**BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 9,010	\$ 16,122
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 9,010	\$ 16,122
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 95,429	\$ 95,429
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	47,955	51,088
121	Non-Utility Property	6,974	6,974
122	Accumulated Depreciation – Non Utility	6,974	6,974
	<b>TOTAL FIXED ASSETS</b>	\$ 47,474	\$ 44,341
	<b>TOTAL ASSETS</b>	\$ 56,484	\$ 60,463

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME HILLCREST WATER COMPANY

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 500	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		1,230
236	Accrued Taxes	1,638	1,890
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	39,771	39,771
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 41,909	\$ 42,891
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 86,662	\$ 83,932
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$	\$
	<b>TOTAL LIABILITIES</b>	\$ 128,571	\$ 126,823
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 28,000	\$ 28,000
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<100,087>	<94,360>
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ <72,087>	\$ <66,360>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 56,484	\$ 60,463

COMPANY NAME HILLCREST WATER COMPANY

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 60,302	\$ 41,365
460	Unmetered Water Revenue		
474	Other Water Revenues		
	<b>TOTAL REVENUES</b>	\$ 60,302	\$ 41,365
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	2,763	2,675
618	Chemicals		
620	Repairs and Maintenance	7,936	9,071
621	Office Supplies and Expense		
630	Outside Services	27,288	29,027
635	Water Testing		
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liability	4,403	3,487
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	2,070	2,364
403	Depreciation Expense	3,103	3,132
408	Taxes Other Than Income	3,740	3,743
408.11	Property Taxes	2,422	2,088
409	Income Tax	50	50
	<b>TOTAL OPERATING EXPENSES</b>	\$ 53,775	\$ 55,637
	<b>OPERATING INCOME/(LOSS)</b>	\$ 6,527	\$ 5,728
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$	\$
	<b>NET INCOME/(LOSS)</b>	\$ 6,527	\$ 5,728



COMPANY NAME HILLCREST WATER COMPANY

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1993	1998	1999	
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$ 5,591	\$ 47,304	\$ 30,000	\$
Amount Outstanding	\$ 5591	\$ 47304	\$ 30,000	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$.	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 1,230

Meter Deposits Refunded During the Test Year

\$

COMPANY NAME HILLCREST WATER COMPANY

## WATER COMPANY PLANT DESCRIPTION

### WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
SS-501879	3	300	160	6	3	1982
SS-554097	3	150	170	6	3	1996

\* Arizona Department of Water Resources Identification Number

### OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
NA		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
3	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
43,001	1	85	1
50,000	1		

COMPANY NAME HILLCREST WATER COMPANY

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4	Pvc	7,000
5		
6	Pvc	2,845
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 X 3/4	180
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

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STRUCTURES:

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OTHER:

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COMPANY NAME: HILLCREST WATER COMPANY

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD 000	GALLON PUMPED (Thousands)
JANUARY	191	473	559
FEBRUARY	192	485	814
MARCH	194	613	844
APRIL	193	527	682
MAY	193	593	776
JUNE	192	779	1065
JULY	191	772	1109
AUGUST	195	735	1317
SEPTEMBER	190	829	932
OCTOBER	190	491	954
NOVEMBER	194	546	1237
DECEMBER	193	401	1017
TOTAL		NA	11306

Is the Water Utility located in an ADWR Active Management Area (AMA)?

( ) Yes

(X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

( ) Yes

(X) No

If yes, provide the GPCPD amount: \_\_\_\_\_

What is the level of arsenic for each well on your system. \_\_\_\_\_ mg/l

(If more than one well, please list each separately.)

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

COMPANY NAME HILLCREST WATER COMPANY YEAR ENDING 12/31/2004

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 1,836.40

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

913-12-703

2303

**HILLCREST WATER CO.**

915 E. BETHANY HOME RD.  
PHOENIX, AZ 85014

91-527 1822  
1221

DATE 10-28-01

PAY  
TO THE  
ORDER OF

San Paz County Treasurer

\$ 1836.40

Eighteen hundred thirty-six and 40

DOLLARS



Security Features  
included  
Refer to Back



Wells Fargo Bank, N.A.  
5033 N. 7th St.  
Phoenix, AZ 85014  
wellsfargo.com

FOR

2004 Taxes

Barbara J. Dunlap <sup>MP</sup>

⑈002303⑈ ⑆122105278⑆0817322902⑈

⑈0000183640⑈

COMPANY NAME HILLCREST WATER COMPANY

YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported  
Estimated or Actual Federal Tax Liability5,729-0State Taxable Income Reported  
Estimated or Actual State Tax Liability050

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances  
Amount of Gross-Up Tax Collected  
Total Grossed-Up Contributions/Advances

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Barbara Dunlap  
SIGNATURE4-27-05

DATE

BARBARA DUNLAP  
PRINTED NAME

TITLE

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

APR 29 2005

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>MARICOPA</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>BARBARA DYNLAP PRESIDENT</u>
COMPANY NAME
<u>HILLCREST WATER COMPANY</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 65,109

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,744  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

27th

DAY OF

(SEAL)

MY COMMISSION EXPIRES 10/26/05

Barbara Dynlap  
SIGNATURE OF OWNER OR OFFICIAL  
602 265-5914  
TELEPHONE NUMBER

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2005</u>

Kelly K. Waggoner  
SIGNATURE OF NOTARY PUBLIC  
KELLY K. WAGGONER  
Notary Public Arizona  
Maricopa County  
San. Div. 125, 2005



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

APR 29 2005

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>MARICOPA</u>	
NAME (OWNER OR OFFICIAL) <u>BARBARA DUNLAP</u>	TITLE <u>PRESIDENT</u>
COMPANY NAME <u>HILLCREST WATER COMPANY</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 65,109

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 3,744  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

Barbara Dunlap  
SIGNATURE OF OWNER OR OFFICIAL

602 265-5914  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

27th

DAY OF

NOTARY PUBLIC NAME <u>Kelly K. Waggoner</u>	
COUNTY NAME <u>Maricopa</u>	
MONTH <u>April</u>	YEAR <u>2005</u>

(SEAL)

KELLY K. WAGGONER  
MY COMMISSION EXPIRES

a County

APR 29, 2005

X Kelly K. Waggoner  
SIGNATURE OF NOTARY PUBLIC

**HOFMANN  
&  
COMPANY, P.C.**

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2777 E. Camelback Road, Suite 300  
Phoenix, Arizona 85016-4302  
Telephone (602) 760-2805  
Facsimile (602) 760-2917

To the Board of Directors  
Hillcrest Water Company  
Phoenix, Arizona

We have compiled the balance sheets of Hillcrest Water Company (a corporation) as of December 31, 2004 and 2003, and the related statements of income and retained earnings for the years then ended included in the accompany prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission – Utilities Division information that is the representation of management (the owners). We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Arizona Corporation Commission – Utilities Division which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

**HOFMANN & COMPANY, PC**

April 26, 2005

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

HILLCREST WATER COMPANY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
AND  
ACCOUNTANTS' COMPILATION REPORT

**HOFMANN  
&  
COMPANY, P.C.**

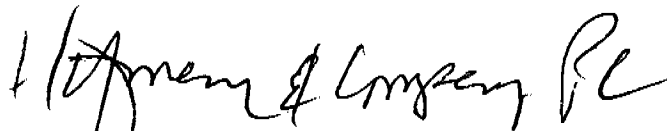
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2777 E. Camelback Road., Suite 300  
Phoenix, Arizona 85016-4302  
Telephone (602) 760-2805  
Facsimile (602) 760-2917

To the Board of Directors and Stockholders  
Hillcrest Water Company  
Phoenix, Arizona

We have compiled the accompanying balance sheet of Hillcrest Water Company as of December 31, 2004, and the related statements of income and retained earnings for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Phoenix, Arizona  
April 26, 2005

Hillcrest Water Co.  
Balance Sheet  
As of December 31, 2004

	Dec 31, 04
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
131 · CASH	14,891.54
132 · SPECIAL DEPOSITS	1,230.25
Total Checking/Savings	16,121.79
Total Current Assets	16,121.79
Fixed Assets	
101 · UTILITY PLANT IN SERVICE	95,429.47
108 · ACCUMULATED DEPRECIATION	-51,087.64
121 · NONUTILITY PROPERTY	6,974.39
122 · ACCUMULATED DEPRECIATION-NU	-6,974.39
Total Fixed Assets	44,341.83
<b>TOTAL ASSETS</b>	<b>60,463.62</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
232 · NOTES PAYABLE	
232.10 · NOTES	135.00
232 · NOTES PAYABLE - Other	83,797.27
Total 232 · NOTES PAYABLE	83,932.27
235 · CUSTOMER DEPOSITS	1,230.00
236 · ACCRUED TAXES	
236.2 · STATES TAXES PAYABLE	50.00
236.3 · PROPERTY TAXES	1,840.00
Total 236 · ACCRUED TAXES	1,890.00
237 · ACCRUED INTEREST	39,770.85
Total Other Current Liabilities	126,823.12
Total Current Liabilities	126,823.12
Total Liabilities	126,823.12
Equity	
201 · COMMON STOCK	28,000.00
215 · RETAINED EARNINGS	9,395.40
215.1 · Retained Earnings-12/31/94	-109,483.59
Net Income	5,728.69
Total Equity	-66,359.50
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>60,463.62</b>

Hillcrest Water Co.  
Profit & Loss  
January through December 2004

	<u>Jan - Dec 04</u>
Ordinary Income/Expense	
Income	
461 · METERED WATER REVENUE	61,365.39
Total Income	61,365.39
Expense	
403 · DEPRECIATION	3,132.00
636 · CONTRACTUAL SERVICE - OTHER	
636.10 · REPAIRS	1,764.13
Total 636 · CONTRACTUAL SERVICE - OTHER	1,764.13
408 · TAXES OTHER THAN INCOME	
408.11 · REAL ESTATE	2,088.02
408.10 · SALES TAXES	3,743.47
Total 408 · TAXES OTHER THAN INCOME	5,831.49
675 · MISCELLANEOUS EXPENSES	
675.14 · REGISTRATION & LICENSE FEES	45.00
675.13 · BANK CHARGES	156.09
675.10 · TELEPHONE	1,042.45
675 · MISCELLANEOUS EXPENSES - Other	1,118.96
Total 675 · MISCELLANEOUS EXPENSES	2,362.50
610 · PURCHASED WATER	0.00
615 · PURCHASED POWER	2,674.51
620 · MATERIALS AND SUPPLIES	9,071.49
630 · CONTRACTUAL SERVICES - BILLING	20,015.44
631 · CONTRACTUAL SERVICES - PROF	3,357.70
635 · CONTRACTUAL SERVICES - TESTING	3,890.20
655 · INSURANCE	3,487.49
Total Expense	55,586.95
Net Ordinary Income	5,778.44
Other Income/Expense	
Other Income	
419 · INTEREST INCOME	0.25
Total Other Income	0.25
Other Expense	
409 · INCOME TAXES	
409.11 · STATE INCOME	50.00
Total 409 · INCOME TAXES	50.00
Total Other Expense	50.00
Net Other Income	-49.75
Net Income	5,728.69